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Leonard S. Sawicki
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EX PARTE OR LATE FILED

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DEC 22 1994

December 22, 1994

Mr. William F. Caton
Secretary
Federal Communications Commission
Room 222
1919 M Street NW
Washington, D.C. 20554

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY
EX PARTE

DOCKET FILE COPY ORIGINAL

Re: CC Docket 94-1; Price Cap Performance Review for
Local Exchange Carriers

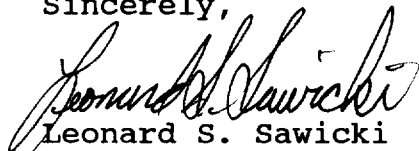
Dear Mr. Caton:

On December 21, members of Customers for Access Rate Equity (CARE) met with James Coltharp of Commissioner Barret's office, Richard Welch of Commissioner Chong's office and James Casserly of Commissioner Ness's office. Representing CARE were Bruce Cox (AT&T), Doug Jarrett (API), Brian Moir (ICA), and I. The purpose of the meeting was to review CARE's views on this proceeding. The attached information was used during the meeting.

Much of the discussion was directed to ex parte communications of the United States Telephone Association (USTA) and BellSouth (B.S). We clarified some their misinterpretations of CARE's positions and statements. Time was not available to respond to all elements of the B.S. filing. We did point out that the issues in this proceeding relate to LEC price caps and performance and not IXC pricing as B.S. would lead the Commission to believe. Nevertheless, we offered the attached material on IXC pricing to rebut the B.S. propositions and clear the air.

The B.S. ex parte illustrates a significant decline in the level of discourse at the FCC. Only a confident monopolist can spend hundreds of thousands of dollars on employees and consultants to characterize their best customers' arguments as "garbage", "self-serving", and "distorted" and argue that customers do not deserve fair prices because they dispute how the customers spend their savings.

Sincerely,

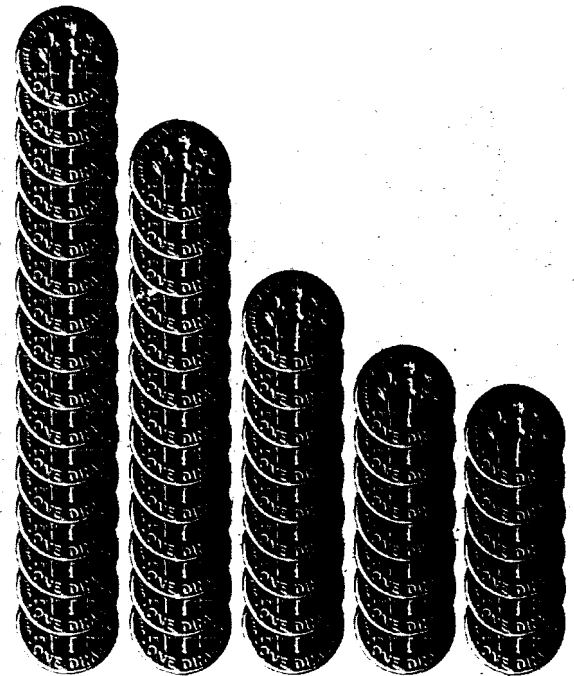

Leonard S. Sawicki

Attachments

cc: Mr. Casserly
Mr. Coltharp
Mr. Welch

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List ABCDE

Look what
competition did
to long distance
prices.



1984 1986 1989 1992 1994

Average price of a five minute AT&T interstate call



1120 20th Street, N.W., Suite 1000, Washington, D.C. 20036

©1994 AT&T

Now imagine
what competition
could do to *local*
telephone rates...

The truth about long distance prices.

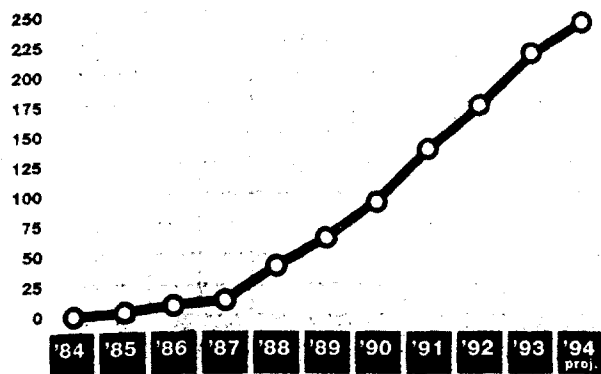
Thanks to intense competition in the U.S. long distance industry since the breakup of the Bell System in 1984, the price of long distance calls in America has dropped sharply, while the quality, variety and sophistication of long distance services have been skyrocketing.

Today long distance prices in the U.S. average less than half of what they were a decade ago.

When consumers have a choice, they win. Big time. And so does America.

Long distance competition has brought U.S. customers substantial savings.

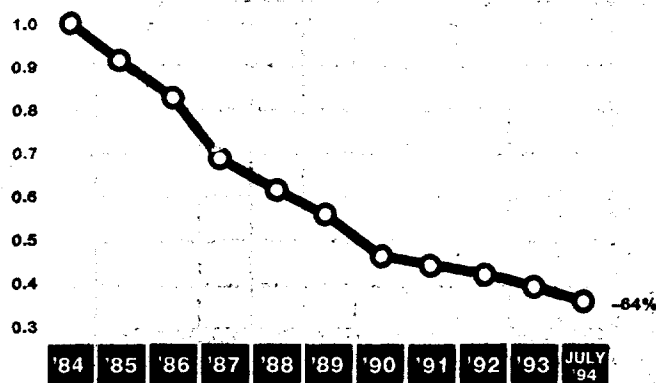
Total Long Distance Customer Savings



Since the long distance industry was opened to competition in 1984, U.S. customers have saved \$240 billion on long distance service. That's more than the federal deficit for 1994.

AT&T's long distance prices have been coming down for the last ten years.

AT&T Long Distance Prices

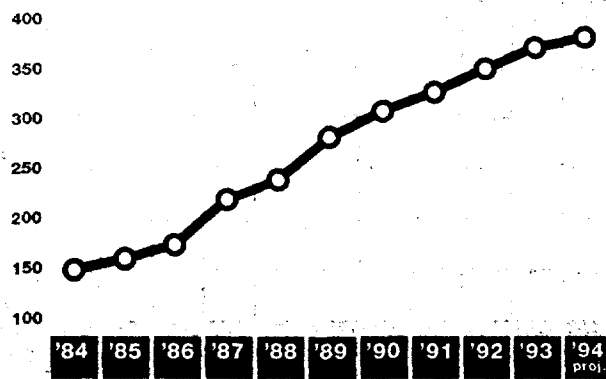


Since 1984, AT&T's average interstate long distance prices have declined 64 percent.

Dollar figures have been adjusted for inflation. Most data are based on previous FCC filings. In some cases, previously filed data have been disaggregated.

The long distance industry is one of the fastest-growing industries in America.

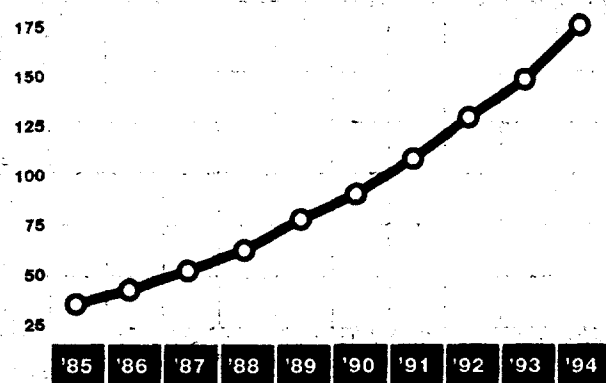
Long Distance Industry Growth



The U.S. long distance industry has grown an average of 8.6 percent annually for the past ten years. Long distance calling minutes have increased from 154.2 billion in 1984 to a projected 388.4 billion in 1994.

U.S. customers are making more long distance calls than ever.

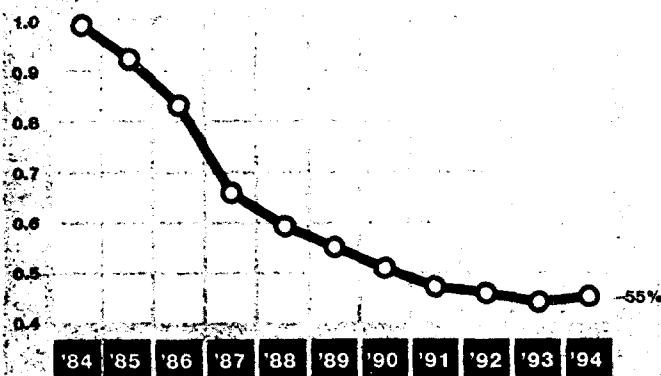
AT&T Calling Volumes



Long distance calling over AT&T's network has increased dramatically over the last ten years, from 37.5 million calls on an average business day in 1985 to 175 million calls on an average business day today.

Consumers making residential calls have reaped tremendous benefits.

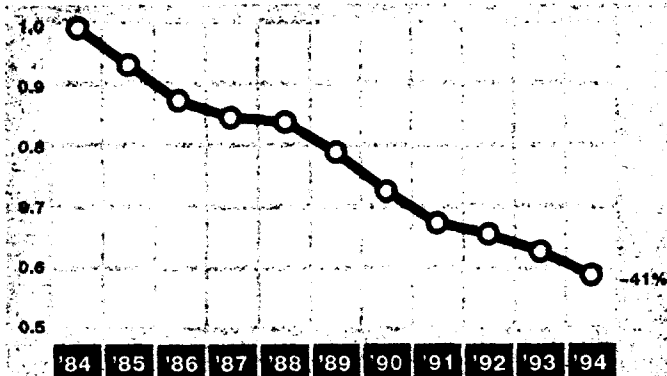
AT&T Domestic Residential Long Distance Prices



Consumers now pay on average 55 percent less than what they paid ten years ago for AT&T's basic interstate long distance service.

International long distance rates have come down, too.

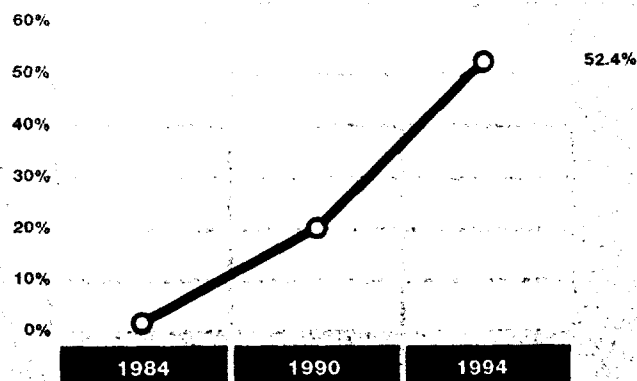
International Direct Dial Service Prices



Rates for AT&T's basic international direct dial service have come down an average of 41 percent in the last ten years.

And more consumers than ever are taking advantage of AT&T discount programs.

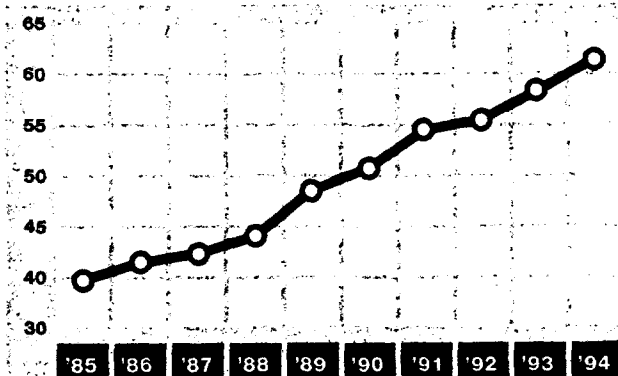
Discounted AT&T Consumer Long Distance Calling



Today, more than half the minutes AT&T sells are discounted, compared to almost none in 1984 and only 20 percent in 1990.

Consumers can make more calls and talk longer for the same amount of money.

What \$10 Buys You in Long Distance Calling



Ten years ago, \$10 bought 40 minutes of domestic consumer long distance calling. Today \$10 buys an average of 62 minutes.

Through discounts and special calling plans, consumers' savings increase as their calling increases.

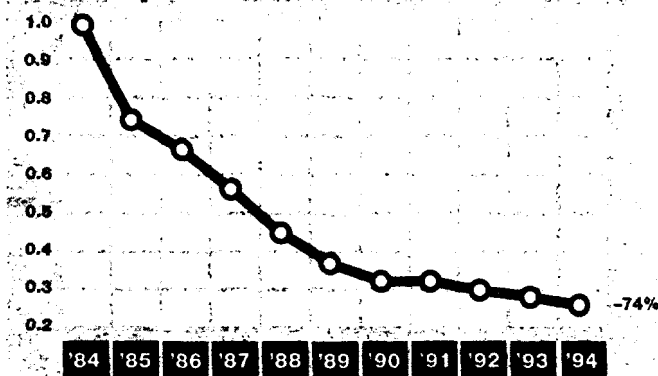
AT&T TrueUSASM Savings Plan Discounts

Monthly Spending	Discount Available	Discount Price	Savings
\$ 10	10%	\$ 9.00	\$ 1.00
\$ 25	20%	\$ 20.00	\$ 5.00
\$ 75	30%	\$ 52.50	\$ 22.50

AT&T customers whose monthly long distance bill is \$10 or more can enjoy greater savings.

U.S. business has benefited from long distance competition, too.

AT&T Business Services Overall Prices

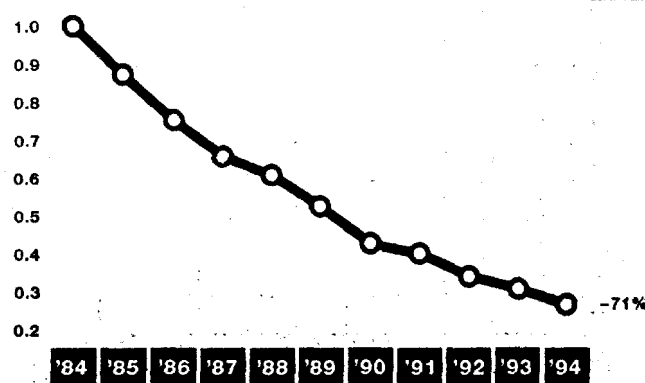


*1991 through 1994 data include prices for global services.

AT&T's business offerings, including virtual private network and other dedicated services, have come down in price by an overall average of 74 percent since 1984.

Prices for one of AT&T's fastest-growing business services, AT&T 800 Service, have declined dramatically.

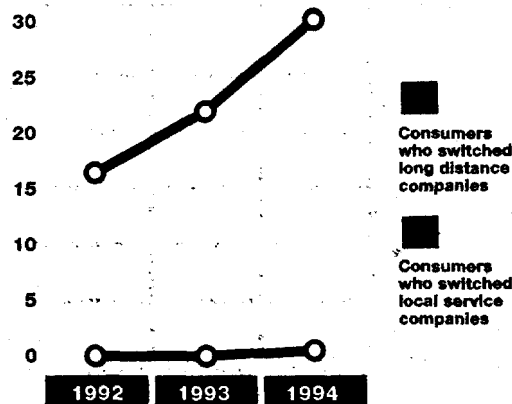
AT&T 800 Service Prices



Businesses pay on average 71 percent less for AT&T 800 Service than they did ten years ago. AT&T 800 Service prices have declined an average of 43 percent just in the last five years.

Competition in the long distance market is fiercer than ever.

Consumers Who Switched Telephone Companies



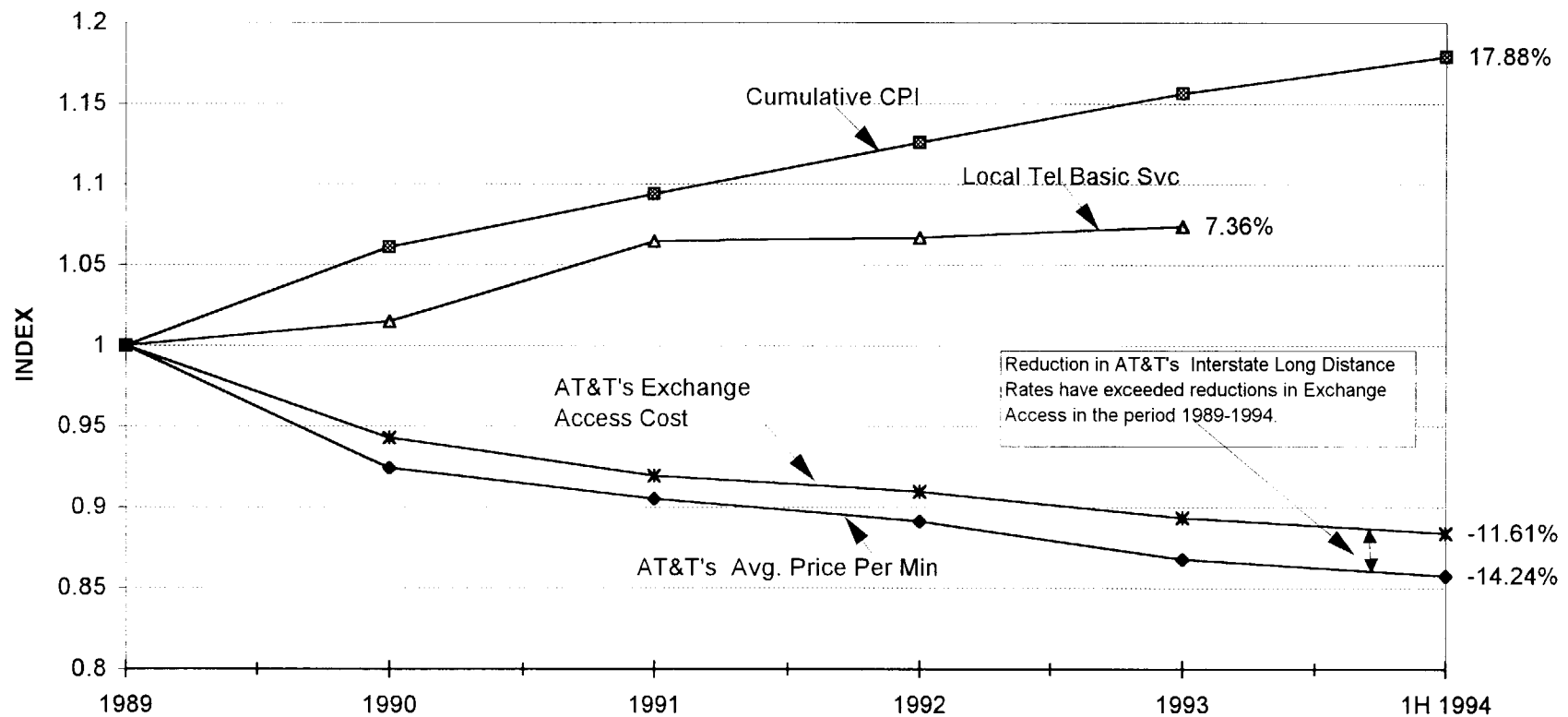
Consumers are switching long distance companies at the rate of 82,000 a day to get the value that's best for them. This year alone, 30 million long distance consumers will switch companies, vs. 16 million who switched in 1992. The number of consumers who will switch local service companies in 1994 to get a better deal: virtually none.

Today U.S. consumers have no choice when it comes to local telephone service. And it shows. While long distance rates have dropped sharply, basic local service charges have gone up 13 percent.

AT&T sees a win-win opportunity here. Give consumers the same degree of choice in the local telephone service market that they have in the long distance market. And do it now.

By opening the local telephone service market to competition now, America will lead the way in bringing information super-highway technology to education, government, health care, home life, and business. American business will be more competitive. And in less time than it's taken us to save you \$240 billion, a telecommunications industry that includes local service competition will save you \$240 billion and more — and create half a million new jobs for Americans.

RECENT TRENDS IN PRICES FOR LOCAL AND INTERSTATE LONG DISTANCE TELECOMMUNICATIONS MARKET





**MCI Communications
Corporation**

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Washington, DC 20006 Chief Financial Officer
202 887 3903 Telephone
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June 14, 1994

The Honorable Reed Hundt
Chairman
Federal Communications Commission
1919 M Street, N.W.
Washington, DC 20554

Dear Chairman Hundt,

Recently, in their increasingly shrill advertising on pending telecommunications legislation, the RBOCs have begun citing a figure from "an FCC report" ("Trends in Telephone Service"). Information in this FCC report, purporting to show that long distance rates have increased 9.6% in the last year, is being used by the RBOCs in a highly detrimental and misleading fashion. It is not true. The clear implication from the ad is that the FCC endorses the validity of this figure.

The "Trends" report merely reports the "CPI: Interstate Toll Calls", computed by the Bureau of Labor Statistics (BLS). However, the BLS figure is based on a 1984-85 market basket that grossly understates the market shares of AT&T's lower-priced competitors. Nor does the index reflect the pricing plans, discounts and promotions offered by MCI, AT&T, Sprint and other interexchange carriers, widely purchased by long distance customers. Based on publicly available data, actual industry statistics yield the following:

	Long Distance <u>Minutes</u>	Long Distance <u>Revenues</u>	<u>Rate per Minute</u>
1Q93	72.872B	\$15.193B	\$0.2085
1Q94	79.655B	\$16.153B	\$0.2028

As you can readily see, long distance prices have declined by over 2.7 percent over the last year. I am enclosing a table from a May 4, 1994 Merrill Lynch report on the long distance industry which also demonstrates declining long distance rates.

In the face of this information, I can not understand how the FCC can publish a report containing the BLS calculation that incorrectly states that long distance rates have increased. MCI has talked to those FCC staff who prepare the "Trends" report and it is clear that they are aware of the problems with the BLS number. I regret that there

The Honorable Reed Hundt

June 14, 1994

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has been no action to publicly clarify the meaning and significance of the BLS calculation. It would be a simple matter for the FCC's Industry Analysis Division to explain the number. This would greatly enhance public discourse on an important public policy matter.

Thank you for your consideration of this matter.

Sincerely,

/s/

Douglas L. Maine

FOR IMMEDIATE RELEASE
March 7, 1994

Contact: Al McGann
(202) 887-5003

Long Distance Prices Dropped Almost 6% in 1993, Updated Study Shows

(WASHINGTON, D.C.) -- Consumers continued to benefit from competition in the long distance market in 1993 as real prices for long distance service dropped 5.73 percent, according to Stanford University economist Robert E. Hall. The figure was released today by the Competitive Long Distance Coalition (CLDC) to update an earlier study by Hall that found that the cost of long distance calls had dropped by 63 percent between 1985 and 1992, when adjusted for inflation.

"Consumers continue to benefit, year after year, from a vigorously competitive long distance industry," Hall said. "In today's dollars, one minute of long distance costs less than 14 cents on average compared to 40 cents in 1985. Ten years after the breakup of the Bell System monopoly, people are paying much less money for much better long distance service."

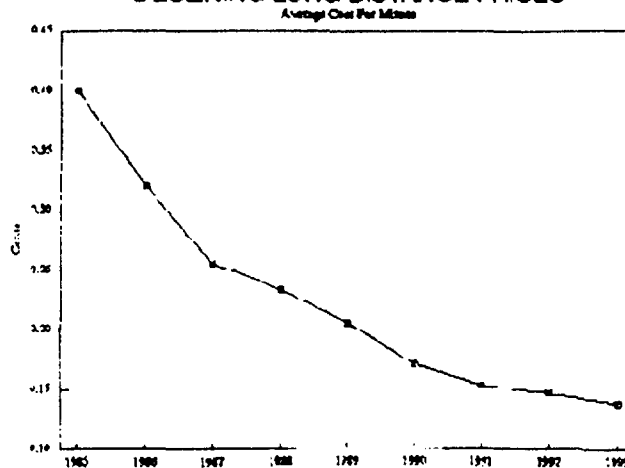
CLDC Executive Director Al McGann said the study effectively refutes recent claims by the Bell companies that long distance companies have raised prices recently in unison. "In fact, it is the local Bells that have raised rates by 13 percent in the past ten years," he said.

"Plain and simple, the Bell claims are misleading," McGann said. "They do not account for the fact that more than 300 companies resell long distance service at much cheaper rates; that long distance companies offer a wide variety of discount plans; or that most consumers save money by participating in these plans. In fact, if there is one thing the long distance companies have competed over in the past ten years, it is lower prices for consumers."

The following chart, updated from the Hall study, dramatically illustrates the decline in long distance prices over the past eight years:

(more)

DECLINING LONG DISTANCE PRICES



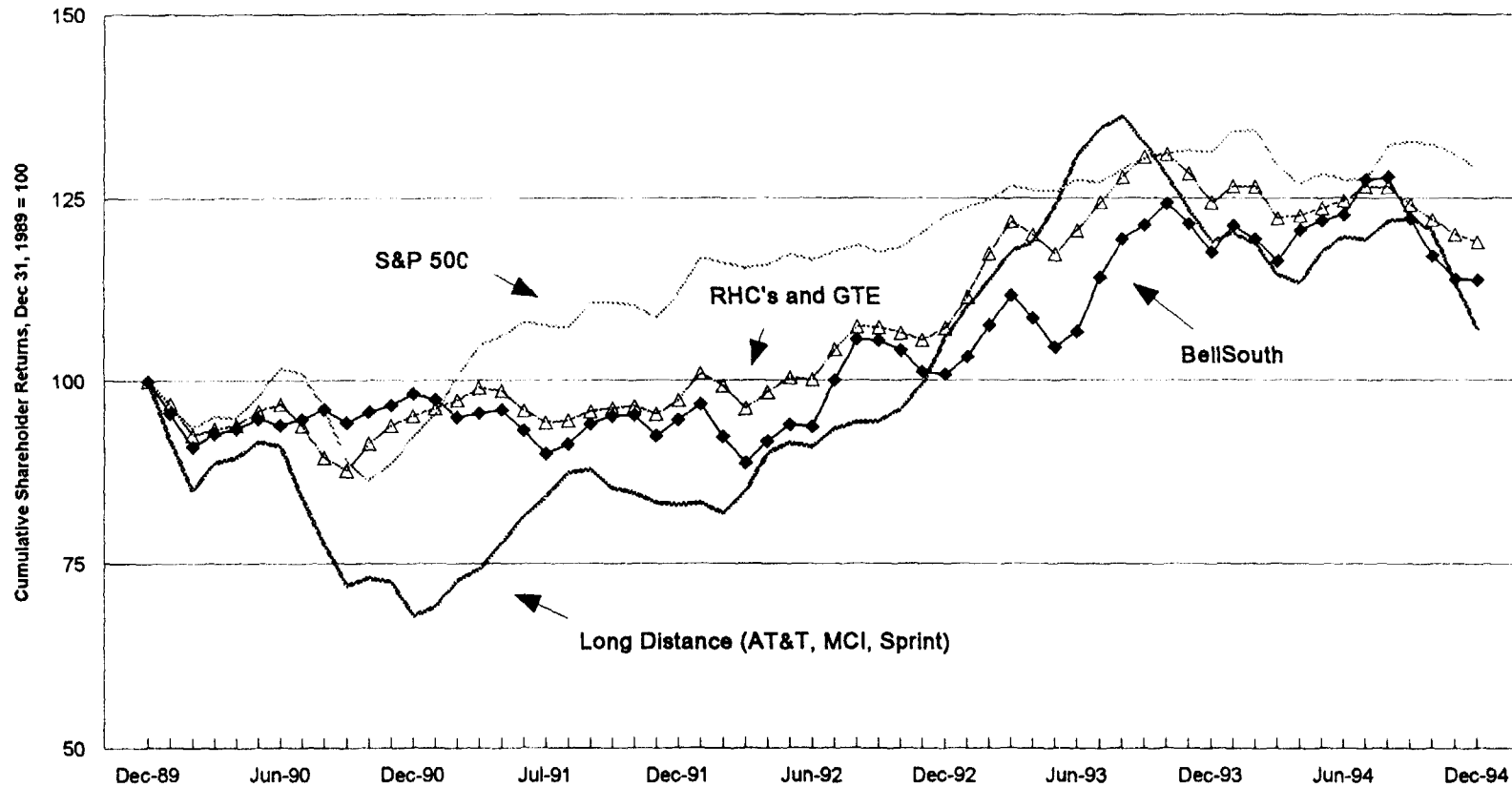
The Hall study and its updated data is the latest source of information that shows long distance prices have declined as a result of competition. The FCC recently submitted similar information to Congress showing substantial reduction in long distance prices.

In addition, the Telecommunications Research & Action Center, which tracks long distance rates, recently issued a study that found that rates for small business' long distance services have dropped an average of 13 percent since 1992. The TRAC study concluded that small businesses can save up to 35 percent on their long distance bills if they comparison shop.

"No one knows more about the benefits of competition than today's long distance customers," said McGann. "Anybody who watches television knows that there is fierce competition in the long distance marketplace, and this new data shows how that competition has translated into lower long distance prices for customers. We call on Congress to allow fair competition with the Bell monopolies in the local markets so Americans can begin to save money on their local phone bills as well."

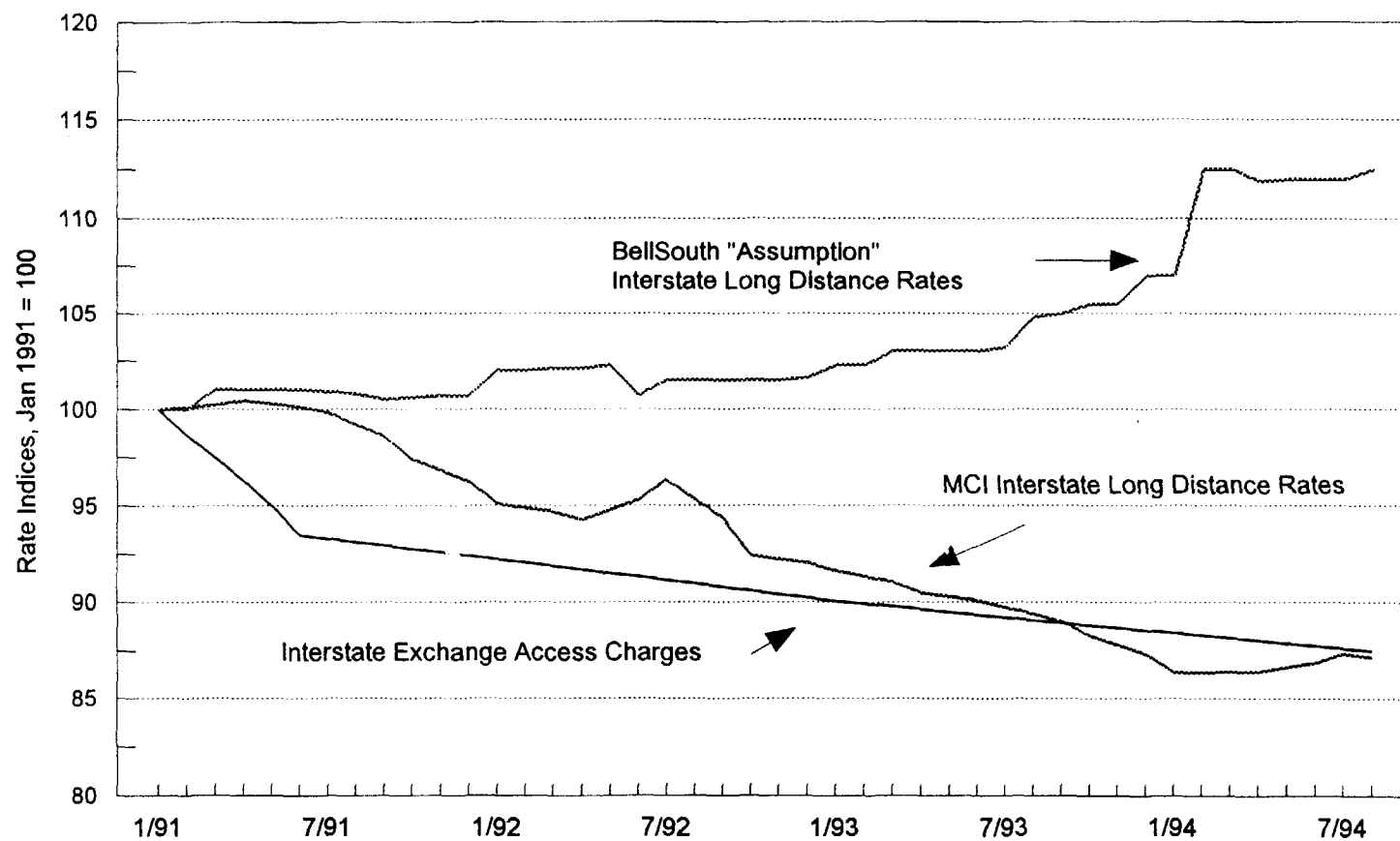
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S&P 500 Cumulative Returns outperform BellSouth and Long Distance Companies (AT&T, MCI, Sprint)



Note: Cumulative Shareholder returns are based on market weighted monthly averages of total shareholder returns.

MCI Interstate Long Distance Rates have followed reductions in Interstate Exchange Access Charges



Source: Interstate Exchange Access Charges provided to FCC by BellSouth Corporation